

GUIDELINES FOR

GREEN INDUSTRIAL RETROFIT GRANTS

Introduction

Green Industrial Analyses and Retrofits (GIAR) is a three-year **jobsOntario** initiative. GIAR plays an important role in the government's Green Industry Strategy, which seeks to further develop Ontario's green goods and services sector. It will stimulate market demand for green products and services through the identification and implementation of resource conservation and waste reduction measures in Ontario companies. In the process jobs will be created and preserved.

GIAR helps companies doing business in Ontario to:

- ✿ manage their energy and water use more efficiently;
- ✿ reduce, reuse and recycle solid waste; and
- ✿ minimize or prevent liquid effluents and gaseous emissions.

These measures not only benefit the environment, but also help improve product quality and reduce costs resulting in bottom line benefits.

The retrofit grants are intended to encourage industrial companies to implement "green" capital projects which they have identified as worthwhile, but have not implemented because of associated paybacks that are significantly longer than those preferred for their investments. Companies will benefit through lowered operating costs, and demonstrated environmental leadership, both of which can improve their competitive position.

There is also the need to support the 'greening' of Ontario industry, not only through the retrofit projects, but also by sharing information on successful green projects with industry through information transfer activities such as case studies, articles and presentations. The eligibility criteria described below reflect these government objectives.

Who qualifies?

- ✿ Companies are eligible if they fall into the Standard Industrial Classification (SIC) codes for the manufacturing or resource recovery sectors;
- ✿ The industrial plant must be operating in Ontario;
- ✿ Companies must be financially sound;
- ✿ The proponent must maintain at least 20% equity in the plant based on fixed assets;
- ✿ The plant for which an application is submitted must be in compliance with all existing environmental regulations (that is, there must not be legal action or significant investigation underway against an applicant for non-compliance).
- ✿ Companies must be willing to document the number of jobs affected by the new operating conditions at their plants, as well as those created during manufacture and installation of the green project;
- ✿ Companies must also be willing to provide the Ministry with information about equipment suppliers used for the green project;
- ✿ Companies must allow the Ministry to publish and disseminate information regarding the green retrofit project. The company will have the opportunity to review the contents of a document before publishing.

Types of eligible green projects

For the purpose of this program a green improvement project is one which conserves resources and ultimately eliminates or reduces the wastes generated at a production site (the source) before they enter a waste stream to be disposed of. Specifically, a green improvement is achieved in one or more of the following ways:



- ✿ more efficient use of energy, or water, or other production inputs;
- ✿ substitution for, or reduced use of, production materials;
- ✿ in-process recycling of production materials;
- ✿ reuse of production materials.

The improvement must be an equipment retrofit related to the existing production process using proven technologies. Note that materials handling processes are considered part of the production process.

For this program, an equipment retrofit can be defined as :

- ✿ an upgrade or modernization of existing production equipment which has been in operation for at least one year;
- ✿ an addition of new equipment to the existing production process to achieve source reduction;
- ✿ the purchase of new equipment to replace outdated equipment; in these cases the Ministry will base its financial support only on the incremental green productivity improvement obtained.

Other project eligibility criteria

- ✿ Whenever possible, it is important to maximize the Canadian content and the Canadian value added, to increase the job creation impact. Therefore the use of Canadian suppliers of products and services is preferred. The applicant must provide a rationale acceptable to the Ministry for purchasing outside Canada.
- ✿ Proposed projects must have well-documented estimates of savings, capital costs and paybacks and technical descriptions of the green project.

In most cases it is preferable for a neutral party other than the equipment contractor\manufacturer\supplier to provide the supporting analysis. Documents prepared

by the applicant company's staff, or a consultant hired by the applicant, or by a utility, etc. are examples of neutral parties.

The documentation may take the form of a feasibility study or a plant site analysis which identifies and reports details of energy, or water, or other materials improvements; whatever the form, the documentation must be acceptable to the Ministry.

- ✿ The appropriate environmental certificates of approval must be obtained for the green project.
- ✿ The grant is restricted to those projects which by virtue of their investment payback period, will not be implemented without the grant. Therefore projects must have a simple payback which lies between 1.5 years and 5 years based strictly on net green cost savings. Green cost savings are those which derive from more efficient use of production inputs (energy\water\materials) and reduced waste treatment or disposal costs.

However for the purposes of computing the amount of the grant, other financial benefits to the company will be factored in, and must be declared in the application. Examples of these savings are reduced labour, operating, or maintenance costs, etc.

For projects where the green impact cannot be quantified by dollar savings, eligibility will be dependent on the significance of the environmental impact and total unit quantities saved/reduced.

What types of projects are ineligible?

Retrofit projects which will NOT BE FUNDED are those involving :

- ✿ fuel-switching done mainly to take advantage of fuel price differentials and with little environmental benefit
- ✿ cogeneration of electricity and heat



- * measures which bring a site into compliance with existing environmental regulations or standards, or which directly address outstanding environmental control orders or charges.
- * measures applied after the waste stream is created. For example: off-site recycling; waste treatment or disposal; concentration of hazardous or toxic constituents; dilution of constituents to reduce hazard or toxicity; source separation facilities\equipment for the collection, handling and storage of solid wastes governed by O. reg. 103\94 under the *Environmental Protection Act*.
- * green improvement measures which the Ministry judges would likely be supported by another incentive program.

Examples are:

- electrical efficiency measures which are supported by Ontario Hydro through a loan program with commercial banks or through incentives
- hazardous waste source reduction measures which are supported by the Ministry's Industrial Waste Diversion Program
- * PROJECTS FOR WHICH IMPLEMENTATION HAS STARTED PRIOR TO MINISTRY APPROVAL ARE INELIGIBLE

Funding Levels

Grants are available to a maximum of \$300,000 per plant site, and may be used to support one or more green projects.

Green projects will be funded based on the lesser of the following:

- \$ 300,000 or
- the amount that will reduce the projects overall investment payback to 1.5 years (if applicable) or
- 30 % of eligible project costs

Eligible costs

Only direct project costs external to the firm are eligible for funding. External eligible costs include project payments to arm's length suppliers of

services, equipment and direct materials.

All costs must have supporting documentation in the form of quotations or detailed estimates. All costs exceeding the documented costs on which the grant is based are the responsibility of the applicant.

Certain components of the green project which the Ministry judges should be eligible for other program funding, will be ineligible under GIAR. An example of such ineligible costs would be high efficiency motors used as components within a green HVAC system, as these are currently eligible for Ontario Hydro incentives.

The application and approval procedure

- * Complete application form No. 0320 for retrofit grants and send it to the Ministry along with the necessary supporting information listed in the application form.
- * Ministry staff will conduct a detailed review of the application. If the application is incomplete, the missing details will be requested.
- * Once the application review is finished and the project is approved by the Ministry, Ministry staff will contact the applicant to finalize contractual details.

Project timing & terms of payment

- * Once a green project has been approved for a grant by the Ministry, the company must proceed to implement it with due diligence. The company must endeavour to obtain relevant environmental certificate(s) of approval and to issue the initial purchase orders within 90 days of grant approval. The company must also document the number of jobs created\maintained by the project. The Ministry will provide guidelines and reporting forms for this exercise.
- * When the contract is in place and the major purchase orders issued and environmental certificates received, the Ministry will release 25% of the grant funds. An interim payment of up to 50% will be made upon start of the installation. The final payment will be made





after receipt of all relevant paid project invoices signifying project completion and a site inspection of the installation by Ministry staff.

- * For grants exceeding \$50,000 a detailed financial accounting of the project may be required from the company upon completion of the green project. For grants \$200,000 and over, the Ministry will require a financial accounting by an external auditor. Guidelines for this audit are available from the Ministry.

Freedom of information

All of the information supplied in confidence by a company in its applications and supporting documents is subject to the provisions of the Freedom of Information and Protection of Privacy Act, 1987 (FOI Act).

Generally, section 17 of the FOI Act provides that when scientific, technical, commercial, financial or labour relations information is supplied in confidence and disclosure could reasonably be expected to cause harm to the supplier of the information, the Ministry will refuse to disclose the information.

All decisions by the Ministry are subject to appeal to the independent Information and Privacy Commissioner who has authority to grant access to third party information.

ENQUIRIES AND APPLICATIONS

Program Enquiries can be directed to:

Tel: (416) 327-1443 or

Tel: (416) 327-1452 or

Fax: (416) 327-1261

REQUEST APPLICATIONS FROM:

Tel: (416) 327-1453 or

Tel: (416) 327-1455

Outside the Toronto area, call toll free 1-800-363-1491

APPLICATIONS ARE ACCEPTED UP TO JULY

1, 1996

Applications should be addressed to:
Manager, GIAR

Ontario Ministry of Environment and Energy
Conservation and Prevention Division
56 Wellesley Street West, 14th Floor
Toronto, Ontario
M7A 2B7



